ASSEMBLY BILL No. 325

Introduced by Assembly Member Beall

February 18, 2009

An act to add Section 11322.55 to the Welfare and Institutions Code, relating to CalWORKs.

legislative counsel's digest

AB 325, as introduced, Beall. CalWORKs: earned income tax credit outreach.

Existing law requires each county to provide cash assistance and other social services to needy families through the California Work Opportunity and Responsibility to Kids (CalWORKs) program, using the federal Temporary Assistance to Needy Families (TANF) program, state, and county funds.

Existing law declares the intent of the Legislature to maximize the ability of CalWORKs recipients to benefit from the federal Earned Income Tax Credit (EITC), and to educate and empower recipients to save or invest all or part of their credits in specified instruments. Existing law also declares the intent of the Legislature that counties encourage CalWORKs recipients to participate in activities that will maximize their receipt of the EITC, and authorizes counties to undertake prescribed actions for that purpose.

Existing law requires the State Department of Social Services to develop guidelines that counties may adopt to carry out the intent of these provisions. Existing law also requires the department to present options to the Governor and Legislature for any legislation necessary to further carry out these provisions.

This bill would state the intent of the Legislature to subsequently amend this measure by enacting legislation that would require the department to implement the recommendations contained in the report published pursuant to existing law, pertaining to Earned Income Tax Credit outreach.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. This act shall be known, and may be cited, as the Needy Family Economic Stimulus Act of 2009.

SEC. 2. The Legislature finds and declares all of the following:

(a) Republican President Gerald Ford enacted the Earned Income Tax Credit (EITC) in 1975, in part to offset the burden of social security taxes and to provide an incentive to work. The benefits are 100 percent federally funded, and the average benefit among families with children is $2,100. The maximum credit is $4,824.

(b) According to the Internal Revenue Service, California left 70 percent, or $10 billion, of unclaimed EITC money "on the table" in 2004, the last year that this data was collected.

(c) The EITC produces substantial increases in employment and reductions in welfare receipt among single parents. The EITC's success led 22 states to enact their own state EITC. The United Kingdom has introduced an EITC that resulted in substantially decreasing child poverty.

(d) California's Legislative Analyst's Office states that, like food stamps, the EITC has a multiplier effect of between $1.50 and $2.00 and will produce sales and use tax revenues to the state. In fact, once the application is received, benefits can start immediately through a paycheck or a refund, if the applicant owes fewer taxes. A refund check arrives within 10 days.

(e) Through the Volunteer Income Tax Assistance (VITA) sites, free tax assistance is available to help people apply for EITC through the county welfare departments and nonprofit organizations.

(f) According to the National Bureau of Economic Research, the United States is in a recession that started in December 2008.

(g) Many states are experiencing budget deficits as income, property, and sales taxes plummet. California's budget deficit is an unprecedented $40 billion the 2009–10 fiscal year. As of January 2009, California has an unemployment rate of 9.3 percent. As California's revenues plummet, the countercyclical nature of the state's safety net needs increases, creating a tension between funding needs and abilities.

(h) California's safety net for vulnerable seniors, persons with disabilities, families, and children has never been more compromised. The state's fiscal challenges are forcing counties to face their own dramatic budget deficits, forcing them to take deleterious measures such as cutting over-match funds, reducing services, eliminating contracts, eliminating positions held vacant due to lack of funding, and, in a growing number of counties, laying off staff and instituting work furloughs that range from a few days to weeks. Hundreds of staff, and the many direct client services that they support, will be lost in the programs that counties administer.

(i) It is widely reported that food banks are experiencing a decline in private donations and have nearly exhausted their federal Emergency Food Assistance Program funding. Food prices have increased by 5.9 percent. According to Feeding America, the demand for food bank services has increased by 30 percent.

(j) The nation's traditional hunger program, the Supplemental Nutrition Assistance Program, formerly known as the Food Stamp Program, has seen a 33 percent increase in food stamp applications in California between September 2007 and September 2008.

(k) California's welfare-to-work program, the California Work and Responsibility to Kids (CalWORKs) program has seen a 22 percent increase in applications, while program funding for counties has been cut. These funding cuts are causing significant reductions in the supportive services, such as domestic violence services, transportation, housing assistance, and remedial education, that are necessary for clients to secure and maintain employment and achieve lasting self-sufficiency.

(*l*) Chapter 622 of the Statutes of 2007 delineated many legislative intentions in regard to maximizing the ability of CalWORKs recipients to benefit from the EITC, including, among others, educating and empowering CalWORKs recipients to apply for and receive the EITC, and saving or investing that credit. Additionally, a provision of Chapter 622 required the State Department of Social Services to deliver a report to the Legislature by December 1, 2008, regarding the development of guidelines that counties may adopt to carry out the Legislature's declared intentions and the presentation of options to the Governor and the Legislature for any legislation necessary to further carry out the declared intentions of the Legislature.

SEC. 3. Section 11322.55 is added to the Welfare and Institutions Code, to read:

11322.55. It is the intent of the Legislature to subsequently amend this measure by enacting legislation that would require the department to implement the recommendations contained in the report published pursuant to subdivision (c) of Section 11322.5, pertaining to Earned Income Tax Credit outreach.

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